

**Subpart J [Reserved]**

**Subpart K—Contracts With Medicare+Choice Organizations**

SOURCE: 63 FR 35099, June 26, 1998, unless otherwise noted.

**§ 422.500 Definitions.**

For purposes of this subpart, the following definitions apply:

*Business transaction* means any of the following kinds of transactions:

- (1) Sale, exchange, or lease of property.
- (2) Loan of money or extension of credit.
- (3) Goods, services, or facilities furnished for a monetary consideration, including management services, but not including—
  - (i) Salaries paid to employees for services performed in the normal course of their employment; or
  - (ii) Health services furnished to the M+C organization's enrollees by hospitals and other providers, and by M+C organization staff, medical groups, or independent practice associations, or by any combination of those entities.

*Clean Claim* means a claim that has no defect, impropriety, lack of any required substantiating documentation, or particular circumstance requiring special treatment that prevents timely payment.

*Party in interest* includes the following:

- (1) Any director, officer, partner, or employee responsible for management or administration of an M+C organization.
- (2) Any person who is directly or indirectly the beneficial owner of more than 5 percent of the organization's equity; or the beneficial owner of a mortgage, deed of trust, note, or other interest secured by and valuing more than 5 percent of the organization.
- (3) In the case of an M+C organization organized as a nonprofit corporation, an incorporator or member of such corporation under applicable State corporation law.
- (4) Any entity in which a person described in paragraph (1), (2), or (3) of this definition:
  - (i) Is an officer, director, or partner; or

- (ii) Has the kind of interest described in paragraphs (1), (2), or (3) of this definition.

(5) Any person that directly or indirectly controls, is controlled by, or is under common control with, the M+C organization.

(6) Any spouse, child, or parent of an individual described in paragraph (1), (2), or (3) of this definition.

*Related entity* means any entity that is related to the M+C organization by common ownership or control and—

- (1) Performs some of the M+C organization's management functions under contract or delegation;
- (2) Furnishes services to Medicare enrollees under an oral or written agreement; or
- (3) Leases real property or sells materials to the M+C organization at a cost of more than \$2,500 during a contract period.

*Significant business transaction* means any business transaction or series of transactions of the kind specified in the above definition of "business transaction" that, during any fiscal year of the M+C organization, have a total value that exceeds \$25,000 or 5 percent of the M+C organization's total operating expenses, whichever is less.

**§ 422.501 General provisions.**

(a) *Basic rule.* In order to qualify as an M+C organization, enroll beneficiaries in any M+C plans it offers, and be paid on behalf of Medicare beneficiaries enrolled in those plans, an M+C organization must enter into a contract with HCFA.

(b) *Conditions necessary to contract as an M+C organization.* Any entity seeking to contract as an M+C organization must:

- (1) Be licensed by the State as a risk bearing entity in each State in which it seeks to offer an M+C plan as defined in § 422.2.
- (2) Meet the minimum enrollment requirements of § 422.514, unless waived under § 422.514(b).
- (3) Have administrative and management arrangements satisfactory to HCFA, as demonstrated by at least the following:
  - (i) A policy making body that exercises oversight and control over the